



CREDIT CONTROL AND DEBT COLLECTION

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PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 18 (1) (a), read with subsection (2) of the Municipal Finance Management Act, 56 of 2003 provides that an annual budget of the municipality should be funded from realistically anticipated revenues to be collected taking into account projected revenue for the current year based on collection levels to date and the actual revenue collected in the previous financial years;

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorized by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

CHAPTER 1 : GENERAL PROVISIONS

1. Definitions

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” The Local Government Act: Systems Bill, 2000 (Act No 32 of 2000) as amended from time to time.

“Arrangement” A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Apparatus” means any equipment, tools, device, meter, connection, system, or network, service protection device, articulation network or supply mains, part thereof supplied or used in the supply distribution, or conveyances of services or measurement or consumption of services.

“Authorized personnel” means an employee, agent, subcontractor, or representative of a service provider, or any person, duly authorized, by a service provider to perform, any function under this policy;

“Arrears” includes collection charges and interest in respect of the principal amount in arrears;

“Billing” means proper formal notification (invoicing) on the statement to each customer of amounts levied for assessment rates and services and the net accumulated balance of the account.

“Council” means-

- a) a municipal council as referred to in section 157 of the constitution
- b) the Local Municipality of Madibeng established by provincial notice No .6766 of 2000, as amended, exercising a delegated power or carrying out an instruction, where any power in these policy has been delegated, or sub delegated, or an instruction given, as contemplated in section 59 of the Act; or
- c) a service provider fulfilling a responsibility under the policy, assigned to it in terms of section 81(12) of the Act, or any other law,

As the case may be;

“CFO” Person appointed as the Chief Financial Officer of the Municipality, or his or her nominee

“Credit control” means all function relating to the collection of monies owed by the rate payers and users of municipal services.

“Credit controller” means a person appointed by the Council to Manage, inter-alia, the Council financial administration and debt collection of the Council debtors.

“Collection charges” means charges which may be recovered by the council in terms of section 75A of the Act, and includes –

- a) the cost of reminding customer of arrears;
- b) the cost of the termination, restriction and reinstatement of municipal services;
- c) the cost of any notice rendered, sent or delivered in terms of these policy
- d) the cost and administration fees contemplated in section 22;
- e) all legal cost, including attorney and client cost incurred in the recovery of arrears; and
- f) Any commission and other expenses relating to the recovery of arrears payable by the Council to any person or partnership.

“Customer management” means focusing on the client needs in a responsive and proactive way to encourage payment, thereby limiting the need for enforcement.

“Customer” means any occupier of the premises to which the council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises.

“Household” means the total number of people who occupy a property for residential purpose whether permanently or on a temporary basis, but excludes persons employed by the household;

“Indigent” means a household who cannot afford to make a full monetary contribution towards municipal charges for basic services and rates & taxes as determined by the Council

“Debtor” means a person owing an amount of money to the municipality for a reason other than through the provision of municipal services

“Defaulter” means those persons owing the Council in respect of taxes and/or service charges for a period of more than 45 (forty-five) days from the date of the account.

“Interest” constitutes a levy equal to service levies and is calculated at rate determined by the Council on all services levies in arrears.

“Municipal Manager” The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

“Municipal services” those services, rates and taxes reflected on the municipal account for which payments is required by the Council.

“Municipal account” shall include levies or charges in respect of the following services and/or taxes:

- (a) electricity consumption based on a meter readings or estimated consumption, or availability fees;
- (b) water consumption based on unmetered reading or estimated consumption or availability fees;
- (c) refuse removal and disposal
- (d) sewerage services and sewer availability fees;
- (e) rates
- (f) interest, and
- (g) miscellaneous and sundry fees and collection charges;

“Owner” means-

- (a) the person in whom from time to time is vested the legal title to premises;
- (b) in a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and under control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative”
- (c) in any case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises of the building thereon;
- (d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof
- (e) In relation to-
 - (i) A piece of land delineated on sectional plan registered in terms of the sectional titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property, or
 - (ii) A section as defined in such Act, the person in whose name such section is registered under a sectional title deeds and includes the lawfully appointed agent of such person
- (f) Any legal person including but not limited to;
 - (i) A company registered in terms of companies act 1973(Act 61 of 1973), trust inter vivo, trust mortis, cause, a closed Corporation registered in terms of the Closed Corporations Act, 1984(Act 69 of 1984), a Voluntarily association
 - (ii) Any department of state
 - (iii) Any council or board established in terms of any legislation applicable to the Republic of South Africa.
 - (iv) Any embassy or other foreign entity

“Occupier” means any person who occupies any premises or part thereof, without regard to the title under which he, she occupies.

“Premises” includes any piece of land, the external surface boundaries of which are delineated on-

- (a) A general plan or diagram registered in terms of Land Survey Act, 9 of 1927) or in terms of the deeds Registry Act, 47 of 1937; or

- (b) A sectional plan registered in terms of the sectional titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

“Property” means-

- (a) Immovable property registered in the name of a person, including, in case of a sectional title scheme, a sectional title unit registered in the name of person
- (b) A right registered against immovable property in favor of a person, excluding a mortgage bond registered against the property
- (c) A land tenure right registered in favor of a person or granted to a person in terms of any law; or
- (d) Public service infrastructure;

“Rates” means a municipal rate on property levied in terms local government; Municipal property rates Act, 2004 (Act No.6 of 2004), or any prior law

“Service provider” means the municipality as well as any entity that provides services to customer pursuant to a service delivery agreement entered into with the municipality in terms of section 80 of the local government: municipal systems act 32 of 2000

“Sundry and housing accounts” means an account where a person owes an amount to the municipality for a reason other than through the provision of municipal services

“Tamper” means interference with, damage to, alteration of, connection to or removal of any apparatus and includes the consumption or use of any services not in accordance either this policy

Note that, word derived from the words defined has corresponding meanings unless, the context indicates otherwise.

A reasonable interpretation of a provision which is consistent with the purpose of this policy must be preferred over an alternative interpretation which is not.

2. Purpose of the policy

- (1) To ensure that all monies due and payable to the municipality for rates and the services rendered are collected;
- (2) Outline credit control and debt collection policy procedures and mechanism;
- (3) Provide for conditions pertaining to the supply of services and the discontinuation thereof;
- (4) Provide for mechanism whereby accounts or meter readings services are queried or verified and for written objections;

- (5) To make provision for indigent support;
- (6) To provide for mechanism where irrecoverable debt is written off;
- (7) To provide for penalties for non-compliance with the credit control and debt control management policy;
- (8) To provide for incentives and disincentives in order to ensure cost-effective collection process; and
- (9) To provide for measures to ensure that enforcement of payment must be prompt, consistent and effective.

3. Principles for Collection

- (1) The administrative integrity of the municipality must be maintained at all costs and as such the democratically elected councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- (2) All new customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Furthermore, existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- (3) A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer on request at no fee or such fees as may be prescribed by Council.
- (4) Billing is to be accurate, understandable and timely produced and distributed.
- (5) The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (6) The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- (7) Unauthorized consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- (8) Application forms will be used to, inter alia, categorize customers according to credit risk and to determine relevant levels of services and deposits required.

- (9) Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- (10) The implementation of this policy requires the full cooperation of all sections within the municipality. The cooperation of the finance, engineering, and corporate service divisions are particularly important for the implementation of this policy.

4. Application of the policy

- (1) The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy.
- (2) The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

5. Duties and Functions

(1) Duties and Functions of Council

- (a) To approve a budget consistent with the needs of communities, ratepayers and residents.
- (b) To impose rates and taxes and to determine service charges, fees and penalties to finance the budget and facilitate sufficient funds to give access to basic services for the poor.
- (c) To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- (d) To set an improvement target for debt collection, in line acceptable accounting ratios and the ability of the Implementing Authority.
- (e) To approve a policy and reporting framework for credit control and debt collection.
- (f) To consider and approve by-laws to give effect to the Council' policy.
- (g) To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- (h) To evaluate the performance of the Council's credit control and debt collection system and strategies by analyzing the actual collection rate against collection targets and ensure that the budget is revised accordingly.
- (i) To implement the councillors' code of conduct in respect of municipal accounts owing.
- (j) To monitor the Municipal Manager's application of the code of conduct of staff on officials who do not execute council policies and by-laws, or act improperly in terms of such policies.
- (k) To framework that will enable the Municipal Manager to provide sufficient capacity in the Municipality's Budget and Treasury Office Department for credit

control and debt collection including to appoint a Service Provider, or debt collection agent.

(2) Duties and Functions of the Mayor

- (a) To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- (b) To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- (c) To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- (d) To report quarterly to the Council.

(3) Duties and Functions of Councillors

- (a) To hold regular ward meetings and ensure that Ward Committees acts in terms of roles and functions as approved by Council.
- (b) To adhere to and convey council policies to residents and ratepayers.
- (c) To adhere to the Code of Conduct for Councillors.
- (d) To address the unacceptable level of indebtedness within his or her ward as advised from time to time by the Mayor (supervisory authority) and the Councilor concerned:
 - (i) must without delay convene a meeting of the ward committee and report the matter to the committee or meeting for discussion and advise; and
 - (ii) make appropriate recommendation to the supervisory authority.

(4) Duties and Functions of the Municipal Manager

- (a) Section 100 of the Municipal Systems Act 2000 assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the Accounting Officer and the following are key functions:
 - (i) To implement good customer care management systems.
 - (ii) To implement council's credit control and debt collection policy in order to collect the outstanding debt.
 - (iii) To maintain effective revenue collection system and ensure that customers make payment within due dates.
 - (iv) To ensure that all payments received from customers are reconciled and accounted for accurately on continuous basis.
 - (v) To provide safe facilities and different mechanisms for customers to pay their municipal accounts.
 - (vi) To monitor contracts with service providers in connection with credit control and debt collection

(b) On the other hand, section 65 of the Municipal Finance Management Act assigns the following functions to the Accounting Officer:

- (i) To install and maintain an appropriate management, accounting information system.
- (ii) To ensure that bills for revenue due to the municipality are calculated and customers' account for municipal rates and charges for municipal services provided are prepared on monthly basis.
- (iii) To ensure that penalties for defaults are raised on all accounts with outstanding debtor balances.
- (iv) To ensure that all money received is promptly deposited into the municipality's primary bank account and any other accounts.
- (v) To determine and maintain internal control procedures and processes in respect of debtors and revenue.

(5) Duties and Functions of Communities, Ratepayers and Residents

- (a) To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- (b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- (c) To observe the mechanisms and processes of the municipality in exercising their rights.
- (d) To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- (e) To comply with the by-laws and other legislation of the municipality.
- (f) To refrain from tampering with municipal services and property.

6. Reporting and performance management

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:
 - (a) Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt); indigent management information and bad debt write-offs. Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
 - (b) If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal

Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.

- (2) The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

CHAPTER 2 : CUSTOMER CARE AND MANAGEMENT

7. Conditions for Provision of Municipal Services to Customers

- (1) Every Setsoto Local Municipality customer should have their own water and electricity account and such no one is allowed to inherit an existing water and electricity account from a previous owner or tenant of a property.
- (2) The municipal services will be provided to any new customer only under the following conditions: -
 - (a) When application for the service has been made in writing on the prescribed form hereto attached as annexure A for household consumers, and annexure B for business Consumers.
 - (b) Any information and documentation required by the council such as but not limited to identity documents, company registration, offer to purchase or deeds document, etc. have been furnished;
 - (c) When a service supply agreement in the prescribed agreement form has been entered into between the customer and the Council; and
 - (d) An amount of deposit as prescribed in in this policy, in cash or bank cheques, has been paid as security or other acceptable security, as prescribed, has been furnished.
- (3) If an applicant for a municipal service is an existing customer of the Council in respect of any other municipal service in respect of which any amount is in arrears,
 - (a) such amount in arrears must be first paid in full; or
 - (b) an agreement for payment of the arrears in terms of this policy must have been entered into and payment terms and conditions thereof must fully be adhered to.
- (4) The contents of the service supply agreement will include the following conditions:
 - (a) An undertaking by customers:
 - (i) That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees; and
 - (ii) That any alleged non-receipt of an account does not stop the collection process;
 - (b) An undertaking by Council;
 - (i) That it will deliver account statements to customers on monthly basis;
 - (ii) That it will provide on request duplicate statement of accounts in the event that customers did not receive an account; and

- (iii) That it will notify or remind via short message service (sms) or other available means customers who have not paid their accounts immediately after the payment due date.
- (5) Full and concise details must be provided on application for the completeness of the consumer agreement and all staff must endeavor to update personal records of existing customers whenever they liaise with the municipal offices.
- (6) Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application whether:
 - (a) Other accounts are currently held; and
 - (b) Debts are still outstanding on previous accounts.
- (7) Metered services consumed by consumer without a service supply agreement with the municipality will be billed to the owner of the property to which the service connection is registered.
- (8) Consumers who are tenants in the properties and are to be billed separately from the owners account must enter into a service supply agreement to have access to these services and such a service supply agreement will only be valid with the written consent of the registered owner of the property.

8. Service deposits

- (1) The deposits are payable when new customers sign-on the agreement and when existing customers move to a new supply address of which agreement would have to be entered into.
- (2) The deposit to be paid must be an amount equals to past consumption's three months' average services charges, as calculated by the duly authorized municipal official subject to the minimum deposit amount required as approved by council with the tariff and charges annually.
- (3) The Council may from time to time and as determined by the policy increase the amount deposit required to be paid in order to suit particular circumstances and risks profile of a new customer.
- (4) The service deposit amount will automatically be adjusted or recalculated to cover at least two and a half times the estimated consumption and basic fees for the services of water, electricity, refuse and sewerage after the customer service is disconnected due to non-payment. This will happen in addition to a service reconnection fee.

- (5) Deposit amount received will be reviewed annually and a register must be maintained for this purpose. The total sum of deposit amount received shall constitute a short-term liability in the books of the municipality.
- (6) The service deposits amount held by the municipality will not earn interest as they are not held for investment purpose but for security purpose.
- (7) Upon termination of the service supply agreement with the municipality, the deposit amount held will first be offset against any outstanding balance (if any) owed to the municipality, and the remainder thereof will be refunded to the customer.

9. Termination of Service Supply Agreement

- (1) A customer will terminate a service supply agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) of not less than seven working days before the time.
- (2) On the other hand, the municipality may, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the service supply agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days:
 - (a) if the customer has not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant service supply agreement; or
 - (b) if the municipality has made an arrangement with another service provider to provide the municipal service concerned to the customer; or
 - (c) if the customer has vacated the premise to which the service supply agreement concerned relates.

10. Property Transfers and Owners' Accounts

- (1) Owners' accounts for rates and services basic charges will automatically be created in your name, as the new property owner, as soon as transfer is registered at the Deeds Office. It may take up to 10 weeks to receive and update new owner records.
- (2) During the process for sale of the property the seller shall be liable for rates, refuse and sewerage charges to date of transfer. In order to meet this obligation, the following process shall apply:
 - (a) The seller shall through his/her transferring attorney request and pay for a clearance certificate from the municipality in terms of section 118 of the Municipal Systems Act; and

- (b) The municipality shall adjust the clearance certificate amount in the seller's account in order to cover full assessment and from date of transfer refunds the seller any remaining credit while simultaneously creating a new owner's account for the purchaser.
- (3) A valid clearance certificate issued by the municipality shall be approved by the Chief Financial Officer or his/her delegate.
- (4) Notwithstanding section 118 of the Municipal Systems Act the municipality may recover, as far as is practicable, all amounts due to it for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties, in preference to any mortgage bonds registered against any property which is to be transferred.
- (5) In the case of the owner also been a consumer, the municipality will consolidate any separate accounts for rates and services charged to a property and issue one bill to the owner of such a property who shall be liable for payments.

11. Accounts billing administration

- (1) The municipality will measure the services provided to customers and ensure that:
 - (a) An accurate metering of consumption is conducted at fixed monthly intervals with the minimum delay between service connection and first and subsequent billing.
 - (b) Where readings cannot be obtained, interim readings (estimations) will be charged.
 - (c) An accurate monthly billing is calculated with the application of appropriate and correct prescribed tariffs and service charges rates and other related amounts due to and payable.
 - (d) The statements of accounts are prepared, printed and timely dispatched to all customers; by post; or by email; or by posting the website to access online.
 - (e) The statement of accounts will provide easily understandable information which will at most contains the following:
 - (i) the consumption or estimated consumption of water and electricity as determined for the measuring or consumption period;
 - (ii) the measuring or consumption period for water and electricity;
 - (iii) the amount due based on the measured or estimated consumption;
 - (iv) the amount due and payable for any other municipal services;
 - (v) the amount in arrears if any;
 - (vi) the interest payable on any areas, if any, collection charges in so far as they may be relevant;
 - (vii) the due date for payment; and
 - (viii) The methods, places and approved agents where payment may be made.

- (2) A customer is responsible to ensure access to metering equipment at a time that is agreeable by the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.
- (3) Council will allow readings taken by customers and submitted either telephonically, fax or personally provided that:
 - (a) the municipality obtains any final reading should the customer move to another supply address;
 - (b) an audit reading during the normal reading cycles must be obtained by the municipal official at least once every four months; and
 - (c) the Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.
- (4) Although the municipality undertakes to deliver a monthly statement of account for the amount due to the customer, failure thereof does not relieve a customer of the obligation to pay timeously the amount due. In the event of non-receipt of an account, onus still rests on the customer to obtain a free copy of the account statement, before the due date.
- (5) The municipality will hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing.

12. Mechanisms for settling account

- (1) Payments for accounts can be made at a municipal pay-point or through direct deposit in the municipality's bank account, or by any electronic payments or through approved payment agents.
- (2) The Municipal Manager shall:
 - (a) provide adequate and the efficient pay facilities throughout the municipality with sufficient business operation hours to facilitate payments of accounts;
 - (b) arrangements with third party institutions to accept payments on behalf of the municipality, but responsibility to ensure that payments are reflected on the account rest with the customer; and
 - (c) Credit timeously any payment against the correct customers account.
- (3) Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs and the Municipal Manager or his/her designate has the discretion to open and close offices when necessary.

- (4) The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer and in addition, the consumer will take into account the transfer time of the particular agent.
- (5) The Municipality shall actively monitor the effectiveness of the available pay facilities, methods and convenience for consumers and a range of payment methods may be extended if necessary subject to any financial implications.
- (6) The Chief Financial Officer shall according to assessed and proven collection expediency of each tax and service provided set priority order as indicated below in section 22 in the financial system through which payments received from customers can be distributed.
- (7) The municipality may, within its discretionary powers, but with the consent of any person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with such person's employer to deduct from the salary or wages of such person any outstanding amounts due by such person to the municipality or such regular monthly amounts as may be agreed to.
- (8) The municipality may further, within its discretionary powers, provide special incentives for employers to enter into such agreements and for employees to consent to such agreements.

13. Queries or complains in respect of accounts

- (1) A customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- (2) A customer may lodge a query or complain in respect of the accuracy of any amount due and payable in terms of an account rendered to him or her in terms of this policy.
- (3) Any resident or consumer who may feel aggrieved concerning his/her account may address a query / appeal to the Manager: Revenue Management or visit any Customer Care Office provided by the municipality to get his/her query registered.
- (4) A query or complain must be lodged with the council before or on the due date for payment specified in the accounts concerned, or as soon as reasonable possible thereafter.
- (5) A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account and as such:

- (a) An interim payment of an amount at least equal to the rates amount plus average amount that was due and payable in respect the municipal services concerned, as specified in the accounts for the preceding three months which are not in dispute, must be paid by the customer concerned within the due date.
 - (b) Failure to make a payment will result in debt collection action been instituted against the customer.
- (6) An Authorized Official must register the query or complain and provide the customer with reference number.
- (7) The Council must-
 - (a) Investigate or cause the query or complain to be investigated within 14 days, or as soon as possible after the query or complain was received; and
 - (b) Inform the customer, in writing of its decision as soon as possible after conclusion of the investigation, and if any amount is found to be payable such must be paid within 21 days from the date on which the customer is thereof notified, unless an appeal is lodge within that period.
- (8) A customer may lodge an appeal with the Chief Financial Officer or Accounting officer against the decision referred to above within 21 days of the date of the notification of the decision.
- (9) The Chief Financial Officer or Accounting officer must inform the customer concerned in writing of the decision on the appeal, instructing that any amount found to be due and payable is notified thereof.
- (10) If a customer has received a response and is still not convinced that the account is not correct, the customer may approach the Municipal Public Account Committee office for assistance with the enquiry.

14. Communication with communities and other stakeholders

- (1) Revenue on charges and taxes levied to ratepayers and consumers by the municipality is the main source of funds to finance the costs for provision of services such as but no limited to water, electricity, sewerage, refuse removal, roads, street lights, social and recreational amenities, and security services.
- (2) Therefore, customers (ratepayers and consumers) should take note that:
 - (a) The municipality must collect all moneys that are due and payable to it, subject to the requirements of the present Act and any other applicable legislation. For this purpose, the municipality must adopt, maintain and implement a credit

control and debt collection policy which is consistent with its rates and tariff policies and which complies with the provisions of the present Act.

- (b) The council shall separately consider arrears which arose prior to the adoption of the present policy, and shall advise customer of their respective obligations in regard to such arrears. In determining such obligations, the council shall have regard to the quantum of such arrears, to the period over which the default occurred, and to whether the customer concerned has registered as an indigent in terms of the municipality's policy on indigence management. The council shall further consider an incentive scheme which will appropriately encourage customer to settle all or a stated percentage of these arrears.
 - (c) The occupier of premises in a municipality must give an authorized representative of the municipality or of a service provider access at all reasonable times to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict the provision of any service.
- (3) On approval of the new policy, a comprehensive communication plan will be implemented through the Marketing and Communication Unit in conjunction with the relevant Department, in order to advise, in the languages mostly spoken within the municipal jurisdiction, ratepayers and consumers regarding incentives, payment terms and arrangements. This will be done in conjunction with the ward committees.
- (4) Furthermore, business owners, operating from within the municipal jurisdiction and have accounts for rates municipal services, who wish to be the suppliers for goods and to the municipality should take note of the following:
- (a) When inviting tenders for the provision of services or delivery of goods, potential contractors must declare that all relevant municipal accounts owing by the bidder or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for the payments of arrears.
 - (b) The Municipality shall at its sole discretion check whether all the municipal accounts are up to date.
 - (c) No bids will be allocated to a person/contractor until suitable arrangement for the repayment of arrears over the duration of the contract, has been made. The bidder must maintain arrangements and pay current installments as provided for in any contract with the municipality.
 - (d) Where payments are due to a contractor in respect of goods or services provided to the municipality, any arrear amount owing to the municipality may be set off against such payments.

15. Reporting of defaulters

- (1) The Council may in its discretion through a duly delegated officer report for listing with an adverse credit rating such person that owes the Council monies to bodies (credit bureau) that collate and retain such information.
- (2) The Information that would be included in such a report shall be the available personal information of the defaulter, or in the event of legal person, the available statutory details, including information pertaining to the responsible officer of such legal person.

16. Offences

- (1) The municipality reserves the right to enforce laws including subjecting to arrest and prosecution for offence committed by any person who:
 - (a) fails to give the access required by an officer in terms of these by-laws;
 - (b) obstruct or hinders an officer in the exercise of his or her powers or performance of functions or duties under these by-laws;
 - (c) uses or interferes with council equipment or consumption of services supplied;
 - (d) tamper or breaks any seal on meter or any equipment belonging to the council, or for any reason as determined by the treasurer causes a meter not to properly register the service used, shall be charged for usage, estimated by the treasurer based on the average usage;
 - (e) Fails or refuses to give an officer such information as he or she may reasonable require for the purpose of exercising his or her powers or functions under these by laws or gives such an officer false or misleading information knowing it to be false or misleading;
 - (f) contravenes or fails to comply with a provision of these by-laws; and
 - (g) fails to comply with the terms of a notice served upon him or her in terms of these by laws

17. Theft and fraud

- (1) The Municipality will not tolerate theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- (2) The Council may approve specific penalties and distinguish between cases of vandalism and theft.
- (3) Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

CHAPTER 3 : CREDIT CONTROL AND DEBT COLLECTION

18. Income collection target

- (1) In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality will have to strive to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality (that is, inclusive of the balance of the monthly accounts payable by registered indigents) are maintained at an annual average of at least 75%.
- (2) It is generally accepted by this council that payment levels averaging below 75% per month are untenable. Even with payment levels of 75%, the council will annually have to provide on its expenses budget a contribution to bad debts of 25% of the aggregate revenues legitimately owing to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.
- (3) In order to deal with the problem of non-payment by residents who can afford their monthly commitments, the municipality intends to introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, and, by using the formal political structures of the municipality and in the administration's general dealings with the public, to make the community aware of its legal obligations towards the municipality, and to emphasize the negative consequences for all if non-payment continues. The municipality's ward committees are particularly charged with this responsibility.
- (4) The long-term target is a debtor turnover ratio of 45 days, that is, debtors are expected to pay for services on average in a month and a half.

19. Notice and documents

- (1) Customers will be notified of their unpaid accounts prior to the commencement of the debt collection process.
- (2) Within 7 (seven) calendar days after each monthly due date for payment of municipal accounts for property rates and/or service charges, the Chief Financial Officer shall dispatch to every defaulting customer, that is, every customer who as at the date of the notice has not paid the monthly account in full or has not made an acceptable arrangement with the accounting officer for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipality for partial or late payment, the relevant supply or service to the property to which the account in arrears relates shall be terminated or restricted 7 (seven) calendar days after the date of the notice concerned, and that proceedings for the recovery of any amount payable may be commenced after such period.

- (3) A notice or documents issued by the Council in terms of this policy shall be deemed to be duly issued when after signed by an officer authorized by the Council is:
 - (a) Delivered to the customer personally or to his or her dully authorized agent; and
 - (b) Delivered at the customer's residence or place of employment.
 - (c) If the customer has nominated an address for legal purposes, by delivering the notice to such an address;
 - (d) Registered or certified post address to his or her last known address;
 - (e) In the vent of body corporate, by delivering it at the registered office or the business premises of such body corporate;
- (4) If service cannot be effected in terms of the above provisions this can be done by affixing it to the principal door of entry to the premises, or placing it to a conscious place on the land to which it relates.

20. Arrears accounts

- (1) If a customer fails to pay an amount due and payable for any municipal services on or before the due date for payment specified in the account, a final demand notice may be sent to the customer and such a notice must contain the following:
 - (a) the amount in arrears including any interest payable and instruction that such an amount must be paid within 14 days of the date of the final demand notice; or
 - (b) that the customer may in terms of section enter into payment arrangement that must be concluded in a written agreement with the Council for payment of the arrears on installment basis; or
 - (c) that if no such agreement is entered into within the period stipulated above the municipal services concerned may be terminated.
- (2) That the customer has an opportunity to make representation in writing on any matter referred in a final demand notice within the period of 14 days.
- (3) In addition to notices customers with large services accounts will also be managed by telephonic and personal contact with them on a higher management level, e.g. corporate business and government departments.

21. Action to secure payment

- (1) The Council may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrear, take the following actions to secure payment for municipal rates and services:
 - (a) Termination and restriction of the provision of services; and

- (b) Allocating a portion of payments for prepaid service purchases to service charges arrears or future charges.
- (2) The council may replace existing conventional meters for water and electricity with prepaid meters at its discretion in order to maximize cost recovery and revenue collection.
- (3) In terms of section 28(1) of Municipal Property Rates Act, 2004: If an amount due for rates levied in respect of a property is unpaid by the owner of the property, the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier, provided that:
 - (a) The municipality may recover an amount only after the municipality has served a written notice on the owner and tenant/s and/or occupier/s.
 - (b) Any amount a municipality recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier to the owner.
 - (c) The tenant or occupier of a property must, on request by a municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent to other money payable on the property during a period determined by the municipality.
- (4) A municipality may, despite the Estate Agents Affairs Act, recover the amount due for rates on a property in whole or in part from the agent of the owner, provided that:
 - (a) The amount a municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner. (Agent commission excluded)
 - (b) Withholding payments on levies for municipal services and property rates are limited to specific services and amounts. Valid levies and other valid outstanding amounts are still payable and will not prohibit efforts to collect these valid amounts.
- (5) The municipality may-
 - (a) consolidate any separate accounts of persons liable for payments to the municipality;
 - (b) credit a payment by such a person against any account of that person; and
 - (c) implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any of the accounts of such a person.

- (6) Arrear accounts for customers who make no further use of any services are considered inactive debtors who will automatically be handed over for collection to a debt collector appointed for this purpose, provided that:
 - (a) the amount owing on such an inactive account is more than R500; and
 - (b) if smaller than R500 less costly recovery action due to the cost–benefit ratio of such a case will be instituted at the discretion of the Chief Financial Officer.

22. Payment Terms and Interest Charges

- (1) The normal payment term for all categories of customers for the rates and services accounts is on or before the due date prescribed on account statements.
- (2) Interest to be charged on all arrear accounts shall be at the prevailing overdraft rate offered by the municipality's bankers plus one (1) percentage points.
- (3) If the municipality uses more than one banking institution, it shall for purposes of determining the interest on arrears accounts apply the overdraft rate offered by the institution with which its primary bank account is placed. This means that the interest rate will be changed on the billing system each time when interest rate changes.
- (4) Interest shall be calculated on a daily basis. For purposes of determining arrears amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.
- (5) Considering each annual budget, the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:
 - (a) charges for disconnection or restriction of services;
 - (b) charges for reconnection or reinstatement of services;
 - (c) charges for notices of default; and
 - (d) penalty charges for dishonoured cheques.
- (6) If a customer pays only part of any municipal account due, the Accounting Officer shall allocate such payment as follows:
 - (i) firstly, to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
 - (ii) secondly, to any unpaid interest raised on the account;
 - (iii) thirdly, to any unpaid property rates;
 - (iv) fourthly, to any unpaid water charges;
 - (v) fifthly, to any unpaid refuse collection charges;
 - (vi) sixthly, to any unpaid sewer, and

- (vii) Seventhly, to any unpaid electricity.
- (7) This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the accountholder.

23. Dishonored payments

- (1) If a customer pays his/her account with a cheque which is subsequently dishonoured by or is found to be unacceptable to the customer's bankers, the municipality shall in addition to taking the steps contemplated in this policy against defaulting customer, charge such customer the penalty for unaccepted cheques, as determined by the council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of administration of payment.
- (2) The delegated official may, in his discretion, require a defaulter to pay by cash with immediate effect and failure to recover such monies may result in services being terminated.

24. Institution of Legal Proceedings

- (1) If a customer has not paid arrears owing to the municipality, including the interest raised on such account, or made an acceptable arrangement with the municipality for the payment of the arrear account, including the interest raised on such account, within a period of 28 (twenty-eight) calendar days after the date of the notice of demand the following will be actioned:
 - (a) the Accounting Officer shall, forthwith hand such account over for collection and such further action as is deemed necessary to the municipality's attorneys or any debt collecting agency appointed by the council, unless the cost of such collection and the prospects of recovery in relation to the amount of the arrears concerned would render such action non-cost-effective.
 - (b) Such further action shall include if necessary the sale in execution of such property to recover arrear property rates and service charges (if the accountholder is also the owner of the property).
 - (c) All legal cost, including attorney and own client cost incurred in the recovery of amounts in arrears shall be levied against the arrears account of the customer.

25. Cost to remind debtors/arrear accounts

- (1) For any action taken in demanding payment from the debtor or reminding the debtor by means of telephone, fax, email, letter or otherwise, that his/her payments are due, a penalty fee may be levied against the accounts of the debtor in terms of the municipality tariffs provision.

26. Power to restrict or disconnect supply of service

- (1) The Council may restrict or disconnect the supply of water and electricity or discontinue any other service to any premises whenever a user of any service:
 - (a) fails to make full payment on the due date or fails to make acceptable arrangement for the repayment of any arrear amount for services, rates or taxes;
 - (b) fails to comply with a condition of supply imposed by the municipality;
 - (c) obstruct the efficient supply of electricity water or any other municipal services to another customer;
 - (d) supplies such municipal service to a person who is not entitled thereto or permits such services to continue;
 - (e) causes a situation which in the opinion of the municipality is dangerous or contravention of relevant legislation;
 - (f) is placed under provision sequestration, liquidation or judicial management or commits an act of insolvency in terms of the insolvency ACT No 24 of 1936;
 - (g) if an administration order is granted in terms of section 74 of the Magistrate Court Act No, 32 of 1944 in respect of such user;
 - (h) if the council fail to obtain the actual readings for three consecutive and the owner/occupier was notified in writing to avail the readings but fail to respond within the prescribe time.
- (2) If the Accounting Officer is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrears, is not in the best interests of the community (for example, because of the potential endangerment of the life of any person, whether resident in or outside the property concerned), the Accounting Officer may appropriately restrict rather than terminate the services in question.
- (3) The right to restrict, disconnect or terminate services due to non-payment shall be in respect of any services and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or person, as the case may be.

27. Power of entry and inspection

- (1) A duly authorized representative of the Council may for any purpose related to the implementation or enforcement of these by-laws at all reasonable times or in an emergency at any time, enter premises, request information and carry out such inspection and examination as he or she may deem necessary and for purpose to stop or restrict the provision of any services.

- (2) If the inspection work referred to above is carried out for the sole purpose of establishing whether a contravention of these by-laws has been committed and no such contravention has taken place the council shall bear the expense connected therewith together with that of restoring the premise to their former condition.
- (3) Should it be noted that consumption is registered after disconnection, the connection will be removed at the owners cost and will not be reinstated until such time the full outstanding cost is paid to the municipality including the additional service connection and consumer deposit required. There must be no political interference in the process being followed by the municipal manager in the collection of tariffs (Municipal Finance Management Act).

28. Arrangement for payment of arrear accounts

- (1) Allowing defaulting customers to make arrangements for the payment of arrear accounts shall be at the discretion of the Accounting Officer.
- (1) Each defaulting customer shall be allowed a maximum period of 24 (twenty-four) months within which to pay an arrear account, together with the interest raised on such account, under the following conditions:
 - (a) The outstanding balance, costs and any interest thereon shall be paid over as per the Debt Collection and Credit Control Policy;
 - (b) The current monthly amount must be paid in full and on time during the period over which such arrangement extends; and
 - (c) The written agreement has to be signed on behalf of the Municipality by a duly authorized officer.
- (2) In order to determine monthly instalments, breadwinner and spouse's income, must be provided by the debtor and reviewed by a BTO official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (i.e. amount not to exceed 20% of gross income), taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.
- (3) The Accounting Officer or his delegate may allow a customer to pay his current account, plus an additional 10% on arrears.
- (4) If a customer breaches any material terms of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the customer defaults on such payment, the accounting officer shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged.

- (5) A customer who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default and failure by the customer to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such customer had breached a material term of an arrangement.

29. Special Incentives introduced by Council

- (1) Notwithstanding arrangement through written agreement and in recognition of ineffective/ non implementation of credit control measures in the past which resulted in the majority of household consumers having accumulated significant arrear amounts, the Council of Setsoto Local Municipality in order to improve the current payment levels from consumers may implement special incentives to address the arrear debt.
- (2) Special incentives will only apply to household, churches, schools and welfare organizations customers.
- (3) Businesses and Government institutions are excluded from the application of the special incentives.
- (4) The conditions for qualification to benefit from the special incentives offered to eligible customers will be:
 - (a) When customers elect not to make arrangements for the repayment of his/her arrear debt and instead elect to pay 60% on their arrear debt through a once-off payment, the remaining 40% on their arrear debt will be written-off immediately.
 - (b) Consumers who made use of the special incentive will be excluded for any further incentive on the same account or site for a period of 3 years.

30. Reconnection or re-instatement of terminated or restricted services

- (1) Where any service is disconnected as a result of a non-compliance with the provisions of this policy by the customer, the municipality shall be entitled to levy and recover the standard reconnection fee, as determined by the municipality from time to time, from the user of these services.
- (2) Services to defaulting accountholders terminated or restricted in terms of this policy shall be reconnected or reinstated by the municipality only when all the following conditions have been met:
 - (a) the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with the municipality for

- the payment of the arrear account, including the interest raised on such account; and
- (b) the charge(s) for the notice sent and for the reconnection or reinstatement of the terminated or restricted service(s), as determined by the council from time to time, have been paid in full.
- (3) If reconnection or re-instatement of municipal services is done under provisions of the arrangement agreement or application of special incentive, the following conditions should be met:
- (a) The first payment including the current account required as per the arrangement agreement concluded should be paid; or
 - (b) The 60% payment applicable as per the special incentive is paid in full.
- (4) The municipality shall reconnect or reinstate terminated or restricted services within three (3) working days after the date on which the conditions set out above have been met, unless the municipality is unable to do so because of circumstances beyond the control of the municipality. In the latter event the Accounting Officer shall promptly inform the Mayor of such circumstances and of any actions required to overcome the circumstances concerned.
- (5) The municipality may when re-instating municipal services install or convert conventional metering system for household customers who entered into arrangement agreement in order to prevent customers to accumulate further debts for the services of water and electricity.

31. Credit control and debt collection of employee accounts

- (1) Municipal Systems Act schedule 2 section 10 states that *“a staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member’s salary after this period.”*
- (2) Payment of arrear amounts by staff may, by arrangement agreed upon, be extended to a maximum of 12 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act.
- (3) Thereafter no further arrears may be accumulated and in order to ensure timeous, assured payment of employee accounts, all employees when making arrangement to settle their debt and to keep up with their current municipal services accounts will be subject to salary deduction.

- (4) The employees who fail to make arrangement to settle their arrear accounts and those who keep falling into arrears because they reject the salary deduction option may be subjected to disciplinary action in terms of section 10 of schedule 2 of Municipal Systems Act.

32. Credit control and debt collection of councillor accounts

- (1) In terms of the Municipal Finance Management Act (No 56 of 2003), S124(b). *“The notes to the annual financial statements of a municipality must include particulars of any arrears owed by individual councilors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councilors....”*
- (2) In order to ensure timeous, assured payment of councilor accounts, all councilors shall be subject to an automatic deduction instituted against their councilor allowance payments on a monthly basis.

CHAPTER 4 : INDIGENT DEBTORS MANAGEMENT

33. Qualification criteria

- (1) For a household to qualify as an indigent, a household should comply with the following requirements:
 - (a) The applicant must be a resident of the municipality.
 - (b) The applicant must be eighteen (18) years of age and older.
 - (c) The verified total monthly household gross income of all occupants or dependents in a single household must not exceed the amount as approved in the budget for the applicable year. The total household income shall exclude the child care grant, foster child grants and other income which is meant for the child below the age of eighteen (18).
 - (d) The applicant must be the owner or tenant who receives municipal services and is registered as an account holder on the municipal financial system, provided that the requirement of being registered as an account holder does not apply to households in informal settlements and rural areas where no accounts are rendered
 - (e) Registered indigent consumers who own more than one property within the municipal area, will only qualify for subsidy on one site.
 - (f) In cases where the owner/s of the house (e.g. mother and father) have passed away and the occupant children are indigent, they should qualify for the subsidy, provided that an affidavit is provided that they are the children/relatives and legitimate occupants of the house along with certified copies of the Death Certificate/s. (i.e. death certificate of owner, latest municipal account & birth certificate)
 - (g) The registered indigent must be either the owner or occupant (tenant) of the property concerned.
 - (h) Subsidies apply to households and not individuals.
 - (i) The onus for applying for indigent subsidy rest with the consumer who cannot afford to pay the full municipal tariff for services received.
- (2) The granting of an indigent subsidy shall be the sole prerogative of council whose decision shall be final.
- (3) The Indigent policy should be seen as a revenue protection mechanism for Setsoto Local Municipality to protect its revenue and must be applied consistently.

34. Sources of funding

- (1) The council will have to provide funds annually on the budget for the subsidization of indigent households for rates, refuse removal, water, sanitation and, electricity.
- (2) The indigent subsidies will have to be financed from the equitable share contribution to

the municipality obtained from National Treasury.

- (3) Existing indigent arrears on rates, tariffs and services charges will be written off against the provision for bad debts.
- (4) Indigent households may be required to convert to prepayment electricity meters, the cost of which can be met by the equitable share fund.

35. Compulsory documentation for registration

- (1) An indigent application must be done on a specific council application form at service centers designated at their respective areas; the following documentary proof has to accompany the indigent application form:
 - (a) Applicant's certified copy of the South African identity document. Non South African Citizens are excluded from participating in the indigent support scheme;
 - (b) Latest municipal or Eskom account and proof of ownership;
 - (c) Documentary proof of total monthly income of the household (e.g. UIF card, salary advice, pensioners' card or letter from an employer)
 - (d) Certified copy of death certificate, in the case of child headed households.
 - (e) A sworn affidavit to the effect that all information supplied is true and that income from all sources has been declared;
 - (f) In areas where Eskom is the provider of Electricity, proof of the meter number must be submitted to enable the consumer to receive FREE BASIC ELECTRICITY.
 - (g) In addition, a recommendation by a Ward Councillor.
- (2) The application forms will be processed and information provided will be assessed and screened by the Financial Services Directorate within the council.
- (3) Community Development Workers will provide the verification, so as to visit the applicants to verify the correctness of the information provided on the application form.
- (4) The Assistant Accountant Credit Control and Senior Indigent officer will approve or disapprove the submitted application form as per the indigent policy.
- (5) Indigent household must re-apply for the indigent support every twelve (12) months.
- (6) The indigent register will be updated annually and the verification process is undertaken through the year for any change of circumstances.
- (7) The re-application for indigent support will not be approved if the consumers account for water and electricity exceeded the free basic services approved by the council is not paid up to date, according to the Credit Control and Debt Collection by-laws.

- (8) An indigent consumer must immediately request de-registration if his/her circumstances have changed to the extent that he or she no longer complies with the requirements set out in the definition.
- (9) The ward committees would be expected to assist council in reinforcement of the indigent policy conditions.
- (10) All applicants whose forms are DECLINED will be informed in writing about the outcome of their applications.
- (11) All approved beneficiaries for the indigent support automatically qualify for Free Basic Electricity.
- (12) Alternative water supply (water tanks) will be provided to areas where there is no infrastructure within the Municipal jurisdiction.
- (13) Funds are already allocated to the municipality to fund the implementation of free basic services through the equitable share grant disbursed by the National Treasury to municipalities.

36. Extent of indigent support

- (1) The Local Government Municipal Systems Act 32 of 2003; states that a municipality must ensure that all communities have access to at least minimal basic services, core objective of the free basic services program is vested in section 152 of the South African Constitution which further states that 'local government has to ensure the provision of services is provided in a sustainable and efficient manner, henceforth all the indigent customers within the municipal jurisdiction will benefit from the free basic services subsidy.
- (2) The funding of the free basic services program comes from the National Treasury in a form of an equitable share grant dispensed to municipalities and the National Department of Cooperative Government and Traditional Affairs is mandated to coordinate the free basic services program, the National Department of Minerals and the National Department of Water Affairs serves as sector departments to municipalities.
- (3) The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

37. Free Basic Services Provided to Beneficiaries

- (1) Water and Sanitation -

- (a) Approved indigent registered household shall receive fully subsidized water and sanitation to a maximum of 6kl per month, including the basic charges for such supply, provided that;
 - (i) Where the consumption exceeds 6kl per month the municipality shall be entitled to restrict water supply to the property or to bill the excess consumption used at a normal rate.
 - (ii) Where excessive consumption is partly due to leaking or poor plumbing, the municipality may install a yard connection to the outside of the dwelling and meter the consumption.

(2) Electricity -

- (a) Approved Indigent registered household shall receive electricity fully subsidized to a maximum of 50 kWh per month, the free basic services subsidy is also applicable to registered indigent households in rural areas where Setsoto Local Municipality or Eskom is the supplier of electricity.
- (b) Free Basic Electricity is being conducted every financial year, in all the Seventeen (17) wards within the municipal jurisdiction, the free basic electricity registration process is conducted in order to maximize the provisioning of free basic electricity roll-out to all the qualifying indigent households.
- (c) If an indigent consumer's consumption or use of municipal services is less than the subsidized service or free basic services, the unused portion may not be accrued by the customers and will not be entitled to receive cash or a rebate in respect of the unused portion.

(3) Refuse Removal -

- (a) Approved indigent households are fully subsidized for refuse removal as provided for in the annual budget, depending on tariff changes annually and the council's resolution every financial year.

(4) Property Rates -

- (a) Approved indigent households are fully subsidized for property rates as provided for in the municipal annual budget and subjected to the provisions of the Municipal Property Rates Act 2006.

38. Indigent households in retirement centers and old age homes

- (1) The onus will be on the Board of Trustees/Managing Agent (hereinafter referred to as the representative) to apply to the municipality, for indigent status to be granted in respect of water Consumption on behalf of the owners of those units, who meet the criteria and conditions for qualification.

- (2) Indigent consumers living in retirement centers or old age homes are eligible to qualify for assistance and support in terms of this policy, subjected to the following rules and procedures:
 - (a) The onus will be on the unit owner to apply to the municipality for indigent status to be granted in respect of property rates related charges.
 - (b) The representative will submit applications to the indigent management unit.
- (3) The indigent management unit will verify all applications and the relevant official must notify:
 - (a) The representative, whether an application was successful or not, with regard to the water consumption and electricity; and
 - (b) The unit owner whether an application was successful or not, with regard to the property rates and other related charges;
- (4) The Chief Financial Officer will credit the monthly municipal charges as follows:
 - (a) Water and electricity account of the Retirement Centre or Old Age Home with water and/or electricity where the municipality serves as an electricity and/or water provider with 6 kl per unit as applied by the institution.
 - (b) Rates, sewerage and refuse charges account of the unit owner with the amount determined by the municipality.
- (5) The representative must, in respect of monthly water credits allowed under indigent support, ensure that:
 - (a) such credits are off-set against the monthly levies of the relevant individual units at least once every six months as could be required; and
 - (b) at such intervals as may be determined by the municipality, provide proof to the Chief Financial Officer that the monthly levies of poor households which qualify for assistance, have been adjusted by the amounts credited to the account of the Retirement Centre or Old Age Home.

39. Communication of implementation of Free Basic Services

- (1) Regular information dissemination and awareness campaigns will be undertaken and eliminate unrealistic expectations both in terms of qualifying for the free basic services subsidy as well as the services that will be rendered and the qualifying for subsidy as well as service delivery in general and methods of communication that will be used, but not be limited to:
 - (a) Ward committees;

- (b) Traditional leaders, where applicable;
- (c) Community based organizations;
- (d) Local radio stations and newspapers;
- (e) Municipal accounts; and
- (f) Imbizo's and road shows.

40. Free Basic Services Registration and Institutional Arrangements

- (1) The municipality has designated existing staff in all four units, and engage properly with the Community Development Workers who had been trained and familiar with the municipal by-laws and the government legislative framework that are in line with the South African Constitution Act 108 of 1996.
- (2) The free basic services registration process is being facilitated collectively with the public participation office and Community Development Workers, ward committees and the ward councilors.
- (3) Any person wishing to be registered in indigent support programme shall:
 - (a) Apply by completing a formal indigent support application form approved by the municipality.
 - (b) Such forms will be available at approved registration municipal offices and must be completed with assistance from approved role players provided by the municipality and shall be dealt with in terms of the policy guidelines.
- (4) Applicants shall be subjected to assessment and screening process as follows:
 - (a) Registration of an application - all information will be captured and verified by indigent management unit in terms of the procedures vested on the municipal indigent policy and on the indigent National indigent guideline provided by the National Department of Cooperative Government and Traditional Affairs.
 - (b) Approval of applications - once verification has been completed, the forms will be captured on the municipal indigent database. The Financial System will generate an indigent register which shall be dealt with in terms of the municipal indigent management system guideline.
 - (c) Right of appeal - an applicant who is the registered household owner living within the municipal jurisdiction and therefore feels aggrieved by a decision taken in respect of his/her application may lodge an appeal in terms of section 62 of the Municipal System Act 32 of 2000.

41. Indigent subsidy process management

- (1) Applications -

- (a) Indigent application forms should be completed in full with all the attachments mentioned on the form and then captured onto the indigent register. The financial system calculates the subsidy amount according to the approved budgeted amount for free basic services roll-out each financial year.
- (2) Validity period -
 - (a) The validity period of assistance will be for the duration that the applicant remains an indigent, provided that re-registration is done annually. Households, in terms of the audit and review process, will be subjected to scrutiny to determine any changes in status.
 - (b) Child headed families' re-registration will be conducted, as their economical and living status is subjected to change from time to time.
- (3) Death of the Registered Applicant -
 - (a) In the event that the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met, as per the municipal indigent policy (Required documents are certified copy of Death certificate and Letter of Authority)
- (5) Publication of Register of Indigent Households -
 - (a) The Indigent register after approval will be distributed to all the Municipal pay-points for public perusal
- (6) Arrears and excess usage of allocations -
 - (a) Upon registration as an indigent household, the arrears on the account of the applicant will be written off.
 - (b) Where an indigent household exceeds the water and electricity consumption level approved by the municipality, the supply may be restricted and the excess will be subjected to the credit control and debt collection policy of the municipality.
- (7) Termination of Indigent Support -
 - (a) Indigent Support will be terminated under the following circumstances:
 - (i) Upon death of the account-holder or the head of the household where services are rendered and if the indigent had dependents the dependents will need to re-apply for the support as subsidies are not transferable (Letter of authority and certified copy of death certificate).
 - (ii) At the end of the (12) twelve months' cycle subject to re-registration.
 - (iii) Upon sale of the property in respect of which support is granted.

- (iv) When circumstances in the indigent household have improved or changed to the extent where the income threshold as determined is exceeded or the indigent criteria for approval changes to the extent that approval no longer applies.
 - (v) If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply;
 - (vi) If the indigent fails to pay the account of his/her consumption or use of a municipal service in excess of the subsidized service or fails to honor any arrangements made by him/her for payment for outstanding accounts
- (b) If the termination of the indigent support based on the circumstances listed in section 41(7)(a)(v) & (vi) above:
- (i) All arrears will become payable immediately;
 - (ii) Stringent credit control measures will apply; and
 - (iii) The applicant will not be eligible to apply for indigent support for a period of two (2) years;

42. Audit and review

- (1) The municipality will conduct regular audits of the indigent register with regard to the information furnished by beneficiaries, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of the beneficiary.
- (2) The frequency of such audits will depend on the institutional capacity of the municipality to do so, however it is envisaged that at least quarterly targeted audits and reviews are undertaken, with a completed review scheduled for at least every three (3) years.

43. Process to facilitate exit from the program

- (1) To identify any changes that may affect the status of beneficiaries' continuity, the indigent register will be continuously verified by ensuring:
 - (a) The involvement of all stakeholders namely, Councilors, Community Development Workers and Ward Committee members.
 - (b) Members of households registered as indigent are prepared to participate in exit programs coordinated by the municipality in collaboration with other government departments, stakeholders involved, sector departments and the private sector.
- (2) As part of its broader poverty reduction program the municipality undertakes to provide for the participation and accommodation of indigent persons in its Local

Economic Development initiatives and in the implementation of integrated development programs where possible.

- (3) Setsoto Local Municipality will facilitate the exit of beneficiaries from indigent support program by;
 - (a) Inclusion in public works projects indigent beneficiaries who could be suitable for the type of work to be undertaken;
 - (b) Initiating local job creation projects such as cleansing operations, small infrastructure projects etc.;
 - (c) Facilitation of opportunities for some of the indigent beneficiaries to enter the informal trade market;
 - (d) Facilitation of food security projects; and
 - (e) Liaison with National and Provincial departments to include in their public works program some of the indigent beneficiaries who could be suitable for the type of work to be undertaken.

44. Monitoring of indigent support

- (1) When compiling report on this policy the following information should be included on indigent support programme:
 - (a) Number of indigent household's applications applied, approved, captured and declined.
 - (b) Amount of subsidy allocated per benefit category;
 - (c) Amount of debt accumulating and debt recovery information (number of customers, enquiries, default arrangements, growth or diminishing of arrears debtors; ideally divided into wards, domestic, state institutions and other such divisions.
 - (d) Performance against targets set in respect of indigent support and poverty relief and in particular with regard to the following:
 - (i) Number of applications for indigent support dealt with;
 - (ii) Time taken to process and finalize applications;
 - (iii) Site visits undertaken;
 - (iv) Awareness initiatives; and
 - (v) Exit initiatives.
 - (vi) Changes in the registered status of indigents.
- (2) Political support and oversight as well as the community participation is important in implementing the Indigent policy in full.

45. Building capacity to implement the program

- (3) The municipality will ensure that all officials and councilors are appropriately capacitated in Free Basic Services in terms of the following key areas:
- (a) Database management
 - (b) Demand and revenue management.
 - (c) Policy and by-law implementation

CHAPTER 5 : BAD DEBTS MANAGEMENT

46. Impairment of debtors

- (1) Consumer debtors, long term receivables and other debtors shall be stated at cost less provision for bad debt. Provision for impairment shall be made on an individual basis or based on expected payment.
- (2) In accordance with GRAP 108, an objective assessment of statutory receivables will be made at year end to determine possible impairment. Impairment loss shall be recognized as an expense in the Statement of Financial Performance.
- (3) Consumer debtors will be evaluated at the end of the reporting date and impaired as follows:

IMPAIRMENT PAYMENT RISK		
Category of Debtor	Percentage of debt regarded as collectable	Percentage of debt provided for as irrecoverable
Credit balances	Zero	Zero
Current account to 60 days	100%	Zero
Debt owing between 61 to 90 days	50%	50%
Debt owing between 91 to 120 days	25%	75%
Debt in excess of 120 days	Zero	100%
Approved indigents	Zero	100%
Pending indigents	Zero	100%
Hand over accounts to panel of debt collectors, legal hand over, clearance hand over (debt outside of Section 118(1)(b) of the Municipal Systems Act	Zero	100%
Government/public infrastructure accounts	100%	Zero
Housing rental debtors & others <ul style="list-style-type: none">• Current debt to 60 days• Debt ageing 61 to 90 days• Debt ageing 91 to 120 days• Debt ageing 120 days+	100% 50% 25% Zero	Zero 50% 75% 100%

IMPAIRMENT TYPE RISK			Scoring		
Account status	Account Type	Consumer Type	Status	Type	Acc Type
Active	Owner	Councilors, Municipality, Government	0	0	0
Active	Owner	Business, Employees,	0	0	1
Active	Owner	Farms, Households, Other, Sundry accounts	0	0	1.5
Active	Owner	Indigents	0	0	2
Active	Occupier	Municipality, Government	0	0	0
Active	Occupier	Councilors, Employees	0	1	1
Active	Occupier	Business, Farm, Household, Indigent, Other, Sundry account.	0	2	1.5
Inactive	Occupier	Government	0	0	0
Inactive	Occupier	Councilor. Employees	1	1	1
Inactive	Occupier	Business, Farm, Household, Municipality, Other, Sundry accounts	2	2	1.5

- (4) Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.
- (5) Sundry debtors are classified as financial instruments with debit balances at year end. Sundry debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

47. Write-off of doubtful debtors

- (1) The following guiding principles shall be applicable when implementing the irrecoverable debts writing off provision of this policy:
- (a) Debt owed to Council will be regarded as irrecoverable before considered and recommended for write off under the following instances:
 - (a) Where the consumer is untraceable and all reasonable steps, at the discretion of the Finance committee, were taken by the officials to recover the debt;
 - (b) If the debt has prescribed;
 - (c) Insolvent estates;
 - (d) Where a remaining balance of debt is as a result payment terms as per special incentive scheme provided for in this policy;
 - (e) A balance being too small to recover, for economic reasons, considering the cost of recovery

- (f) A deceased debtor who has no assets to recover the debt; and
 - (g) Interest or charges levied on accounts as a result of a system of employee error including alteration not affected timeously on Council records;
 - (h) Where Council deems that a customer or groups of customers are unable to pay for services rendered.
 - (i) Indigent household who have no assets which can be sold for recovery of debt to municipality; or indigents who do have assets (e.g. RDP houses);
- (b) Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.
 - (c) Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.
 - (d) Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.
- (2) Debt could only be written off if the required provision exists in the Municipality's budget and/ or reserves.
 - (3) The approval for the write-off of any debt may not mean in all circumstances that actions to recover the money will be terminated, however, further actions in some instances will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

48. Procedure for the write off of qualifying debts

- (1) Debt owed by approved Indigent Household Consumers in terms of this Policy -
 - (a) Upon approval for registration as an indigent household consumer, the principal debt and interest thereof will be written off.
 - (b) Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Credit Control Policy and Indigent Household Policy.
- (2) Debt owed with balances too small to recover considering the cost for recovery -
 - (a) Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalization of any final readings and

other administrative costs results in a balance of one hundred rand (R100) or less, such account must be forwarded once to the consumer for payment.

- (b) Where such account is not paid by the respective consumer within a period of sixty (60) days such amounts will automatically be written off.

(3) Debt owed by Insolvent debtor and Insolvent Deceased Estates -

- (a) Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off.
- (b) In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off.

(4) Debt owed by Untraceable Debtors -

- (a) Where for any reason the forwarding address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt under the following conditions:
 - (a) The collection agent will be paid an all-inclusive fee that will be negotiated.
 - (b) The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor.
 - (c) Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.
- (b) Any amount owed by a debtor that has become untraceable must, after notification, be written off or sold to a debt collection agency at a discount.
- (c) Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

(5) Debt owed due to Special Arrangements in order to obtain a Clearance Certificate -

- (a) In terms of legislation the Municipality will under normal circumstances not issue a Clearance Certificate on any property unless all outstanding amounts are paid to date

(6) Debt owed as a result of Special Incentives introduced by Council

- (a) Balance remaining after the arrear account has been paid in full as per the settlement agreement entered into with the municipality or as per the special

incentive introduced in this policy by Council shall be fully written off immediately through the approval of the delegated authority.

49. Establishment of a committee

- (1) Council delegates the Finance Committee to monitor the implementation of the debts write off provisions of this Policy.
- (2) The Finance Committee will meet at least monthly to receive and review a report from the Chief Financial Officer containing full details of any actions taken by officials with regard to the debts write off provisions of this Policy, and to consider any circumstances not covered by this Policy.
- (3) The Chief Financial Officer is hereto, after thorough review of any applications in terms of this Policy, been delegated to write off any amounts to the maximum of;
 - (a) in the case of a household consumer an amount of R10,000 (excluding interest and penalties) per submission;
 - (b) in the case of a business consumer an amount of R20,000 (excluding interest and penalties) per submission; and
- (4) Any amount in excess of the delegation provided for in section 49(3) above must be submitted together with a recommendation to the Municipal Manager for consideration.
- (5) The Municipal Manager is hereto, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, been delegated to write off any amounts to the maximum of:
 - (a) in the case of a household consumer an amount of R20,000 (including interest and penalties) per submission; and
 - (b) in the case of a business consumer an amount of R50,000 (including interest and penalties) per submission.
- (6) Any amount in excess of the delegation provided for in 49(4) and (5) above may only be reviewed by the Finance Committee in to monitor debts to be written off and must be submitted together with a recommendation to Council for consideration and approval.

50. Application of prescription act

- (1) The provisions of Prescription Act will apply to all services debt, excluding assessment rates. Applications and/ or claims for prescription from debtors will

only be assessed if no formal credit control or legal actions have been instituted during prescription debt period of three (3) years.

- (2) Budget and Treasury officials will assess application in terms of prescribed requirements. If in compliance with Prescription Act, approval may be granted to write-off prescribed portion of the debt in terms of the delegations in section 49 above.
- (3) Reconciliation of the Provision of Doubtful Debtors Account must be prepared annually by the Chief Financial Officer and retained for audit purposes.

TITLE AND COMMENCEMENT

This Policy shall be called “Credit Control and Debt Collection” and replaces the municipality’s Debt Collection and Credit Control Policy, Indigent Policy and Policy on Provision for Doubtful Debt and Writing off of Irrecoverable Debt approved by Council and takes effect on